

CHANGE REQUEST for FY 08-09 BUDGET REQUEST CYCLE

Department:	Natural Resources/Division of Reclamation, Mining and Safety
Priority Number:	14 of 18
Change Request Title:	Durango Office Leased Space Funding

SELECT ONE (click on box):

- ☒ Decision Item FY 08-09
☐ Base Reduction Item FY 08-09
☐ Supplemental Request FY 07-08
☐ Budget Request Amendment FY 08-09

SELECT ONE (click on box):

Supplemental or Budget Request Amendment Criterion:

- ☒ Not a Supplemental or Budget Request Amendment
☐ An emergency
☐ A technical error which has a substantial effect on the operation of the program
☐ New data resulting in substantial changes in funding needs
☐ Unforeseen contingency such as a significant workload change

Short Summary of Request:

The request is for an additional 297 square feet of leased space and a rate increase to \$18.38 per square foot, in order to relocate the Division of Reclamation, Mining and Safety's (hereafter referred to as "the Division") Durango field office to a nearby location by July 1, 2008. The increased space is required to accommodate one additional FTE, storage space for office/field equipment and a meeting area for use with the public/mine operators. The cost of a multiuse network (MNT) circuit to the new location is estimated to require additional spending authority of \$9,772, to be shown on the MNT line in the Executive Director's Office for the department.

Background and Appropriation History:

The Division has had a regional office in Durango since the late 1980's. It provides valuable time efficiency and cost avoidance by placing regulatory and abandoned mine project staff in closer proximity to mines, operators and the general public in the southwestern Colorado region (Exhibit A shows active metal/construction materials mines in Colorado and the "yellow/green" region is the area covered by the Durango Office staff). The Durango field office space is required to relocate and expand to a new location within town as of July 1, 2008 due to (1) a new landlord who purchased the building in February 2007 and who is converting the building to consolidate only

educational agencies in a “one-stop” location for Durango, and (2) the addition of one additional FTE in the office and the need for additional storage/meeting space. The Division’s lease in the current building ends on June 30, 2008 and the new owner will not be accepting an extension on that lease. An additional 297 square feet above the current 527 square feet will accommodate a total of 4.0 FTE, office and field equipment storage space and a small area to meet with the public or mine operators. This will provide 206 square feet per FTE, which is on the low end of the “acceptable” range (205-232 rentable square feet) of space efficiency standards established by the Office of the State Architect/Real Estate Program’s standards.

General Description of Request:

The current Durango office lease funding is for 527 square feet at \$16.71 per square foot. This space held three Minerals and Coal Regulatory FTE at an average open office layout of 120 sq ft for each FTE and 167 sq ft to accommodate an office printer, Xerox machine, supply cabinets, and topographic map storage/work area. Field equipment (surveying equipment, shovels and pick-axes, water quality test supplies, and core sample equipment) was primarily stored in FTE offices. The office also lacked a small area to meet with public or mine operator visitors. An opportunity to locate an Inactive Mine Reclamation Program FTE to Durango arose in 2008, which aligned with the program’s goal to regionally position IMRP FTE across historic mining districts in anticipation of a federal grant expansion of an additional \$30 million for Colorado between FY09 and FY15. Regional distribution of staff provides more efficient project management by reducing staff travel time (versus traveling from Denver) and allows direct access to local cooperative groups that assist with project planning and implementation. An assessment of additional square footage needed to accommodate the new FTE, storage and meeting space resulted in a request for 297 additional square feet for a total of 824 sq ft in a new location. A survey of current office lease rates shown in a Durango newspaper¹ shows a range of annual lease rates from \$13 (in Bayfield 20 miles east of Durango) to \$22 per square foot (in the Durango town center). The request is based on a mid-range rate of \$18.38 per square foot, which enables the division to vie for space in Durango’s town center at a time when oil, gas and uranium companies are expanding in the area. The Division prefers to find space within Durango’s town center in order to increase the

¹ Durango commercial office lease rates surveyed by contacting classified advertising listings in the Durango Herald on September 4, 2007.

chance of co-locating with other state agencies and to enable staff to be in closer proximity to other federal/local government offices and staff resources (post office, supplies vendors, and copy center). Lease rates are higher in the town center.

MNT circuit rate to Durango for a T1 – 1 megabyte UBR line is currently \$535.93 per month, plus an associated monthly rate of \$190 for the Denver connection (to 1313 Sherman Street). Installation of the circuit costs \$1,060. Spending authority for FY09 for MNT costs totals \$9,772 (see Calculations Assumptions (F) below for source.) If a co-location opportunity enables the MNT costs to be shared with another state agency, this spending authority will be reduced through the Supplemental process.

Consequences if Not Funded:

If the \$6,340 in additional leased space funding is not approved, space will need to be found within the current budget of \$8,806 (for 527 sq ft at \$16.71/sq ft). This may result in decreasing the already limited square footage in order to fit a higher rental rate within the total funding of \$8,806. This may create unworkable conditions for 4 FTE causing someone to relocate back to the Denver office and may also require lease of off-site storage for field equipment. If only larger square footage offices are found (527 is not an attractive office size for typical small business needs; therefore few buildings are delineated into spaces that small), staff may be forced to find space with a lower lease rate in order to fit within total funding. Spaces with lower lease rates are more common outside of Durango town center, creating a less convenient location for staff and customers.

Calculations for Request:

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$16,112	\$0	\$12,084	\$0	\$4,028	0.0

Summary of Request FY 08-09	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
(1) Exec Director's Office (A) Admin and Information Technology Leased Space Increase in cash and federal funds spending authority.	\$6,340	\$0	\$4,755	\$0	\$1,585	0.0
(1) Exec Director's Office (A) Admin and Information Technology Multiuse Network Increase in cash and federal funds spending authority.	\$9,772	\$0	\$7,329	\$0	\$2,443	0.0

Summary of Request FY 09-10	Total Funds	General Fund	Cash Funds	Cash Funds Exempt	Federal Funds	FTE
Total Request	\$15,052	\$0	\$11,289	\$0	\$3,763	0.0
(1) Exec Director's Office (A) Admin and Information Technology Leased Space Increase in cash and federal funds spending authority.	\$6,340	\$0	\$4,755	\$0	\$1,585	0.0
(1) Exec Director's Office (A) Admin and Information Technology Multiuse Network Increase in cash and federal funds spending authority.	\$8,712	\$0	\$6,534	\$0	\$2,178	0.0

Calculation of Additional Space Requirements at \$21/sq ft Lease Rate

	Sq Ft references: 3' x 3' sized area = 9 sq ft 4' x 4' sized area = 16 sq ft 9' x 9' sized area = 81 sq ft 10' x 10' sized area = 100 sq ft	Current Square Footage	New Square Footage Requirements	Difference in sq ft = Requested Sq Ft and \$ Amount	See Assumptions for notes listed below
1	4 FTE offices with partitions	120 sq ft x 3 = 360	100 sq ft x 4 = 400	40	(A) Calculation-individual staff office sq ft x 4 FTE
2	Public reception area	0	81	81	(B)
3	Copier/printer/fax/print server area	20	36	16	(B)
4	File cabinets/map storage/work table area	27	49	22	(B)
5	Field equipment storage cabinets area	12 (most equipment kept in staff offices now)	36	24	(B)
6	Office supplies cabinets	10	16	6	(B)
7	Coffee/microwave area	10	16	6	(B)
8	Subtotal – Base Square Footage	439	634	195	Calculation-sum of lines 1-7
9	20% circulation factor = walkways/doorways within office	82	127	39	(C) Calculation-20% of line 8

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10	10% rentable square footage factor (landlords utilize “rentable square footage” factors to spread costs of common areas across tenants ²)	0	63	63	(D) Calculation-10% of line 8
11	Total – Rentable Square Footage	527 sq ft	824 sq ft	297 sq ft	Calculation-sum of lines 8-10
12	Lease Rate	\$16.71/sq ft	\$18.38/sq ft		(E)
13	Total Cost (rounded)	\$8,806	\$15,146	<u>\$6,340</u>	Calculation-line 11 multiplied by line 12 / New sq ft cost minus current
14	IMRP Funding Source Percentage: 1 FTE = 25% of 4 total FTE			\$1,585 Federal funds	Calculation-25% of line 13
15	Minerals Funding Source Percentage: 3 FTE = 75% of 4 total FTE			\$4,755 Cash funds/ Severance tax revenue	Calculation-75% of line 13
16	Multiuse Network (MNT) circuit to new office location – installation and monthly cost.			New installation = <u>\$1,060</u> (FY09 only) Monthly cost = <u>\$8,712</u>	(F) Calculation of monthly cost = \$535.93 + \$190 per month x 12 (rounded to nearest whole \$)

² Office of the State Architect/Real Estate Program defines “rentable square feet” as usable square feet plus a percentage of the common areas on the floor, including hallways, bathrooms, telephone closets, etc. Rentable square footage is the number of square feet on which a tenant’s rent is based.

Assumptions for Calculations:

(A) Individual partitioned office space per FTE based on 100 sq ft per person per Office of State Architecture standards.

(B) New space requirements were measured by current staff taking into consideration space needs for current equipment and cabinets, space for additional storage space needed and for new space for public meeting area.

(C) and (D) Circulation factor provides allowance for walkways/doorways within the office areas that are unusable for office or storage spaces; rentable square footage factor is a standard office space allowance to distribute cost of common areas (floor hallways, common bathrooms, telephone/electrical closets, etc.) to all tenants.

(E) \$18.38 lease rate, from current rates ranging from \$13-\$22/sq ft (<http://officespace.com/index-flash.cfm>), is used on new space calculation as a mid-range value (10 percent increase over current rate) for office space located within Durango's town-center.

(F) MNT costs are not currently paid by DRMS in the Durango Office; therefore, connectivity to a new office is shown entirely as new costs. MNT circuit rate for a T-1, 1 megabyte, UBR line to Durango is currently \$535.93/month with an associated charge of \$190/month for connection to 1313 Sherman Street, Denver main office. The installation cost for the new line is \$1,060 and is shown in FY08-09 only. This information was provided by DPA/MNT staff on September 4, 2007. The cost of the router will be absorbed by the division.

Impact on Other Government Agencies:

Associated spending authority for MNT costs needs to be shown in Department of Personnel and Administration's section of the Long Bill.

Cost Benefit Analysis:

Total Cost = \$16,112	Total Benefits = \$34,380	
	Benefits are based on costs avoided with the increased leased space funding, which ensures all 4 FTE can remain in Durango versus relocating 1 FTE back to Denver and also avoiding lease of off-site storage space for field equipment/supplies.	
	Staff Transit Time from Denver Avoidance of 600 miles round-trip and 8 hours staff transit time for 1 FTE to travel from Denver for 5 mine site inspections per month: --600 miles x 5 trips x \$0.36 per mile x 9 months/year = <u>\$9,720</u> --12 hours (round trip) x 5 trips/month x \$45/hr staff salary/fringe rate x 9 months/year = <u>\$24,300</u>	Lease off-site storage space Avoid cost of \$30 per month to lease off-site storage space (rate per storage vendor contacted in Durango) for equipment as current or reduced space sq ft is inadequate for all supplies: --\$30 x 12 months = <u>\$360</u>
Benefit/Cost Ratio: \$34,380/\$16,112 = 2.1	<i>Costs avoided by relocating 1 FTE to the Durango office would be realized in the federally funded Inactive Mine Reclamation Program and redirected to abandoned mine project costs.</i>	

Implementation Schedule:

Task	Month/Year
Begin search for new office space – enlist commercial real estate broker services if needed.	December 2007-January 2008
Negotiate lease and finalize signed contract.	By May 2008
Route lease contract through state contract approval process.	May-June 2008
Relocate to new office.	July 2008

Statutory and Federal Authority:

Dept of Personnel Responsibilities - Acquisition of Space 24-30-1303(1), C.R.S. [2007]

(h) Develop, or cause to be developed, with the approval of the governor, specific standards relating to office space, to architectural, structural, mechanical, and electrical systems in such office space, and to energy conservation in such office space, except in higher education as provided in section 23-1-106, C.R.S. [2007], which shall be the basis for approving facilities master plans, facility program plans, schematic designs, design development phases, and construction documents relating to the lease, acquisition, or construction of office space; except that such standards shall be approved by the president of the senate and the speaker of the house of representatives when they concern space, systems, or energy conservation in that portion of the capitol buildings group which is under the jurisdiction of the general assembly.

Severance Tax Statutes 39-29-109 (1) (a), C.R.S. [2007] – *There is hereby created in the office of the state treasurer the severance tax trust fund. The fund is to be perpetual and held in trust as a replacement for depleted natural resources and for the development and conservation of the state's water resources pursuant to sections 37-60-106 (1) (j) and (1) (1), 37-60-119, and 37-60-122, C.R.S [2007]., and for the use in funding programs that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water. State severance tax receipts shall be credited to the severance tax trust funds as provided in section 39-29-108 [2007].*

(II) The operational account. One-half of the severance tax receipts credited to the severance tax trust fund for tax years commencing on and after July 1, 1995, shall be credited to the operational account of the severance tax trust fund and used to fund programs established within the Colorado oil and gas conservation commission, the Colorado geological survey, the division of reclamation, mining and safety, and the Colorado water conservation board that promote and encourage sound natural resource planning, management, and development related to minerals, energy, geology, and water, as set forth in paragraph (c) of this subsection (1).

(C) The programs within the division of reclamation, mining and safety, up to thirty percent of the moneys in the operational account. As part of such thirty percent, five hundred thousand dollars, or so much as may be available, shall be transferred to the abandoned mine reclamation fund created in section 34-34-102, C.R.S. [2007].

Performance Measures:

Performance Measure	Outcome	FY05-06 Actual	FY06-07 Actual	FY07-08 Approp	FY08-09 Request
DRMS-2: Percent of permits in regulatory compliance as measured by violations as determined by the Mined Land Reclamation Board and the division.	Benchmark	100%	100%	100%	100%
	Actual	95%	94%	100%	100%
Maintaining a regional staff presence provides staff time efficiencies that can be applied to mine inspection/enforcement activities in order to maintain the compliance target rates shown here. Without the approval of this change request staff may be relocated to Denver and the program will have less of a field presence. This could lead to less compliance among producers and an increase in permits found to be in violation.					